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RUEHCN/AMCONSUL CHENGDU 1002
RUEHGZ/AMCONSUL GUANGZHOU 8912
RUEHHK/AMCONSUL HONG KONG 5770
RUESLE/AMCONSUL SHANGHAI 8313
RUEHSH/AMCONSUL SHENYANG 4923
RHHMUNA/USPACOM HONOLULU HI
RUEAIIA/CIA WASHDC
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000229

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SUBJECT: KMT CHAIRMAN MA SEEKS TO TAKE THE INITIATIVE ON
ARMS PROCUREMENT AND DEFENSE POLICY

REF: TAIPEI 0189

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Classified By: AIT Director Douglas H. Paal, Reason(s):
1.4 (B/D)

¶1. (C) Summary. After sixteen months of mechanically obstructing the Defense Procurement Special Budget weapons systems, the KMT under the leadership of Chairman Ma Ying-jeou is moving to develop an alternative proposal on defense policy and arms procurement. Ma has established a task force to draft a KMT arms procurement plan for presentation to the spring session of the Legislative Yuan (LY). While there are many ideas floating about, early signs suggest the end product could come out in support of infrastructure strengthening, hardening weapons systems, and ammunition procurement, with a possibility of support for one of the three Defense Special Budget weapons systems, the P-3C ASW aircraft. End Summary.

Ma Moves Gingerly on Defense

¶2. (C) KMT Chairman Ma Ying-jeou made a first cautious and very secretive effort to move the party beyond the pan-Blue's total obstructionism of defense procurement in late July, just after his election as Chairman. People First Party (PFP) legislator Lin Yu-fang told AIT that Ma invited him and several pan-Blue defense specialists to establish a defense committee to reassess the pan-Blue position on defense procurement. When the maverick legislator Li Ao heard about the initiative and publicly castigated Ma for "selling out" the pan-Blue, however, the newly-elected and as-yet insecure Chairman-elect quickly pulled back and let his defense initiative die a quiet death.

¶3. (C) Following the KMT's overwhelming victory in the December 3 local elections, which effectively secured Ma's leadership of the party, however, Ma moved once again, gingerly but with greater confidence, to deal with the defense procurement issue. On December 22, he and People First Party (PFP) Chairman James Soong agreed that Taiwan needs to maintain appropriate defense capabilities with the caveat that they oppose buying "unreasonably" expensive

weapons. (Comment: Given that the 31 PFP legislative votes are essential to the KMT-led pan-Blue legislative majority, cooperation with Soong will be essential for any LY action. End Comment). Over the next two weeks, Ma moved forward on defense procurement, telling VOA in an interview on December 26 that the KMT conditionally supports "reasonable arms procurement" and is not opposed to raising the defense budget to 3 percent of Taiwan's GDP. On January 7, Ma told the media that the KMT is moving toward an internal consensus on arms procurement, though it still has not agreed on specific weapons systems, and that it hopes to present a "comprehensive framework" proposal to the next LY session. While reiterating his earlier statement that the KMT will not support "unreasonably" expensive weapons systems, Ma balanced this by claiming the pan-Blue had already saved Taiwan taxpayers one half of the original NTD 610.8 billion (USD 19 billion) Defense Special Budget by reducing the cost to less than NTD 300 billion. On January 18, Ma told the Director, and subsequently confirmed to the press, that the KMT will present a comprehensive arms procurement proposal to the LY in late February or early March.

A KMT Defense Proposal

¶4. (C) KMT Vice Chairman P.K. Chiang (Pin-kun) told AIT that Chairman Ma created a KMT defense procurement task force under the joint chairmanship of himself and another Vice Chairman, John Kuan (Kuan Chung) to devise a cohesive KMT position on arms procurement. Chiang explained that this was one of three task forces Ma created to find a way out of legislative gridlock on arms procurement and two other issues, the high speed rail and the Control Yuan (see reftel). Chairman Ma, Chiang explained, directed the defense task force to prepare a consensus proposal on arms procurement for presentation to the LY at the start of the

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spring session that opens on February 21.

¶5. (C) KMT legislator Su Chi, a member of the KMT defense task force, told AIT that while the task force is moving toward a consensus on defense policy and a counter proposal on defense procurement, he does not believe the proposal will be ready until March. Su said he expects the final document will consist of a white paper-like statement of KMT defense procurement preferences, including armaments, infrastructure hardening, ammunition, and perhaps the P-3C ASW aircraft from the Defense Special Budget.

Getting Beyond Politics

¶6. (C) Both Chiang and Su agreed that the budget cuts and freezes at the end of the just-concluded LY session were primarily a matter of "chemistry": government ministers, they complained, were insufficiently deferential toward the majority prompting the legislative blockage. When AIT pressed, questioning whether the substantial budget cuts and freezes had a policy rationale or objective, both men responded in the negative, insisting the budget cuts and freezes were largely a matter of "chemistry." Chiang explained that the frozen budget funds would be restored when government agencies applied to the LY with the proper documents, but not including, chimed in Su, the "zeroed out" Defense Special Budget funding. Su noted that the KMT is constrained by its pan-Blue coalition partner, People First Party (PFP), whose cooperation is essential to maintain the pan-Blue legislative majority.

Government Not Holding Its Breath

¶7. (C) Ministry of National Defense Special Advisor Dr. York Chen (Wen-cheng) told AIT that the government is not putting much faith in Chairman Ma's statements on defense

procurement. Chen argued that according to MND's information, Su Chi, whom he termed "Ma Ying-jeou's most important defense advisor," views P-3C surveillance aircraft as "offensive" in nature and opposes their purchase. MND, moreover, Chen explained, is not holding its breath for KMT movement on arms procurement because the hard line PFP, whose 31 legislators are critical to the pan-Blue coalition legislative majority, will prevent any compromise on arms procurement. (Comment: Although a number of PFP legislators reportedly will defect to the KMT in the next few weeks, the KMT will still require the support of the remaining PFP legislators to ensure a pan-Blue coalition majority in the LY. End Comment.)

Comment: Kicking Lucy's Football

18. (C) Comment. After 16 months of false leads and broken pledges, there are signs of a qualitative shift in the KMT political situation under Ma Ying-jeou's leadership that could affect the Defense Special Budget "political football." With his numerous public statements pledging the KMT will present a "KMT version of the U.S. arms procurement package," Ma has put himself on the line much as he identified himself with a KMT victory on the eve of the December 3 local elections that the KMT subsequently won. KMT contacts tell AIT that Ma, who is very sensitive to issues of political image, wants to establish a strong image of KMT leadership on security issues in counterpoint to KMT activities promoting cross-Strait relations in the aftermath of former Chairman Lien Chan's May 2005 visit to Mainland China. Resolving the long-running defense procurement deadlock would reflect well on the KMT and on Ma himself in the run up to city, legislative and presidential elections over the next two years. End Comment.
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